

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2020/2021

DTX5024 – TAXATION 2

(All sections/Groups)

5 MACRH 2021
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 9 pages with 5 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Redmi Sdn Bhd was incorporated on 1 January 2018 and closes the accounts to 31 December each year. It commenced its operation on 1 March 2018 with paid up capital of RM2 million. The company is a dealer of beauty products.

The statement of profit or loss for the year ended 31 December 2020 was as follows:

	Note	RM'000	RM'000
Sales			208,000
Less: Cost of sales	1		<u>(8,000)</u>
Gross profit			200,000
Add: Other income			
Dividend income (net)		53	
Rental income		34	
Interest income		<u>29</u>	<u>116</u>
			200,116
Less: Expenses			
Salaries and wages	2	1,250	
Staff welfare	3	976	
Professional fees	4	57	
Interest on borrowings	5	585	
Depreciation		754	
Donation		85	
Income tax appeal		18	
Entertainment	6	591	
Repair and maintenance	7	458	
Trading debts	8	134	
Insurance	9	127	
Advertisement	10	<u>1,356</u>	<u>(6,391)</u>
Profit before taxation			<u>193,725</u>

Notes:**1. Cost of sale**

Included in the cost of sales are:

	RM
a) Provision for stock obsolescence	250,000
b) Damaged goods written off	160,000
c) Stock listing expenses	12,000
d) Deposit paid for telephone or utilities	10,000

Continued ...

2. Salaries and wages

The following charges have been included in the salaries and wages account:

- a) Penalty for late remittance of EPF contribution RM30,000
- b) Leave passage for managing director RM45,000
- c) Employee's provident fund contribution amounted to RM175,000
- d) Total of RM850,000 paid as salaries for employees during the year
- e) Bonus for the year of assessment 2020 amounted to RM150,000

3. Staff welfare

	RM
a) Cost of installing ramp to provide access for disabled employee	45,000
b) Child care centre:	
-building	650,000
-provision and maintenance of child care centre registered with the Department of Social Welfare	70,000
a) Medical and dental benefit	180,000
b) Loan to employees written off	31,000

4. Professional fees

	RM
a) Auditing fee	15,000
b) Accounting fee	17,000
c) Secretarial fee	12,000
d) Cost of registering the company	5,000
e) Cost of defending legal proceedings brought by former employees claiming unjust dismissal	8,000

5. Interest

	RM
a) Interest on the borrowing for investment in the shares of listed company	95,000
b) Interest on borrowing for working capital	490,000

6. Entertainment

The entertainment expenditure includes the following related expenditure:

- a) RM88,000 on the gift without logo for annual dinner
- b) RM60,000 on the company's entertainment on potential clients
- c) RM128,000 on the company's entertainment with overseas clients
- d) RM76,000 on promotional sample
- e) RM144,000 for disbursement of the marketing team's entertainment expenses
- f) RM95,000 on the company's family day

Continued ...

7. Repair and maintenance

	RM
a) Improvement on office	250,000
b) Replacement the whole roof with new one	117,000
c) Repair of premise	56,000
d) Maintaining the commercial viability of an asset	35,000

8. Trading debts

	RM
a) General provisions for bad debt	47,000
b) Specific provisions for bad debt	48,000
c) Trade debt taken over	39,000

9. Insurance

- a) RM12,000 of key-man's endowment policy in respect of the management director.
- b) RM48,000 of key-man's whole life policy of marketing manager
- c) RM67,000 of insurance premium to cover risk of loss of income of the company key personnel

10. Advertisement

	RM
a) Sponsoring arts and cultural performances- foreign	350,000
b) Sponsoring arts and cultural performances-local	825,000
c) Promotion using local newspaper and radio	100,000
d) International standardization activities. It was approved by the Department of Standards Malaysia.	81,000

Other information:

For the year of assessment 2020, the company is entitled to a capital allowance of RM314,000, balancing allowance of RM220,000 and balancing charge of RM135,000.

Required

Calculate the statutory income from business of Redmi Sdn Bhd for the year of assessment 2020. You should indicate by using the word 'nil' for any item that does not need adjustment. (Total: 30 marks)

Continued ...

QUESTION 2

Part A

Spectra Sdn Bhd manufactures boxes in Klang. It was incorporated on 1 August 2018 and closes its accounts 31 December every year.

The company acquired a Honda Accord car for the use of the sales manager on 2 October 2018 on hire purchase. The car has been wholly used for business purpose. The details are as follows:

Cash price	RM178,000
Deposit	RM38,000
Hire purchase amount (monthly)	RM3,300
First instalment	1 November 2018
Number of instalments	50

Required

- (a) Compute monthly instalment for the Honda Accord. (2 marks)
- (b) Calculate the capital allowance in respect for the company for the relevant year of assessment up to 2020. (8 marks)

(Total: 10 marks)

Part B

King Plastic Sdn Bhd (KPSB) owns a building which is used as a factory for the production of plastic bottles for beauty products. It closes its accounts to 30 June every year.

The company incurred expenditure on the construction for the purpose of its business. The construction of factory building commenced on 1 July 2016 and was completed on 3 May 2017. The details of expenditure incurred are as follows:

<u>Number</u>	<u>Particulars</u>	<u>RM</u>
1.	Cost of land	270,000
2.	Legal fee for land acquisition	7,900
3.	Stamp duty	3,000
4.	Architect's fee	24,500
5.	Cost of approving plan	12,000
6.	Cost of demolishing old building	17,500
7.	Materials cost related to building	680,000
8.	Drainage and piping	56,000
9.	Fencing	48,000
10.	Electrical and wiring	35,000
11.	Road and car park	89,000
	Total	<u>1,242,900</u>

Continued ...

20% of the total floor space of the building was used as an office.

Required

- (a) Calculate the qualifying building expenditure for the building. (5 marks)
- (b) Compute industrial building allowances for the building. The building was disposed in January 2020 for RM700,000 including cost of land amounted RM100,000. (5 marks)

(Total: 10 marks)

QUESTION 3

KPT & Co is a partnership between Kerk, Phang & Tariq. Partnership was established in the year 2017. Accounting period ends on 31 December each year. For the year ended 31 December 2020 annually, the partnership gained a profit of RM130,000.

The details of the partnership business for the year ended 31 December 2020 are as follows:

	<u>Kerk</u>	<u>Phang</u>	<u>Tariq</u>
Capital contribution	RM120,000	RM120,000	RM90,000
Interest on capital (per year)	5%	5%	5%
Profit and loss ratio	4	4	2
Monthly salary	RM7,500	RM7,500	RM6,000
Travel allowance (per month)	RM250	RM300	RM100

Tariq decided to withdraw from the partnership because he wanted to start a new business on 30 June 2020. From 1 July 2020 the profit sharing ratios changed to 60% for Kerk and 40% for Phang.

Additional Information:

1. Donations incurred in September of RM18,000 cash.
2. Depreciation of the assets of the partnership for the year 2020 is RM20,500.
3. Capital allowance at the end of year 2020 is RM80,000.

Required

- (a) Compute the partnership's provisional adjusted income. (7 marks)
- (b) Calculate the divisible income. (2 marks)
- (c) Calculate the adjusted income for each partner for the year of assessment 2020. (8 marks)
- (d) Calculate the statutory income of each partner for the year of assessment 2020. (3 marks)

(Total: 20 marks)

Continued ...

QUESTION 4

Kaolin Mines Sdn Bhd incurred the qualifying mining expenditure of RM180,000 on 1 January 2015. The mine has an estimated life of 10 years.

The company closes its accounts on 31 December annually. The mine is estimated to have a life span of 10 years. But it was worked out on 30 September 2020.

Required

- (a) Compute the amount of mining allowance available to Kaolin Mines Sdn Bhd for the year of assessment up to 2020. (5 marks)
- (b) Calculate the allowances due to Kaolin Mines Sdn Bhd for all the year of assessment if the company made an election under para 15, Sch 2. (5 marks)

(Total: 10 marks)

QUESTION 5**Part A**

The term withholding tax (WHT) is generally used to cover a number of situations where the payee or recipient of income is subject to tax and the responsibility of deducting the tax and remitting it to the Inland Revenue Board (IRB) lies with the payer under the ITA.

Required

- (a) Give **FIVE (5)** types of withholding tax and respective rate. (5 marks)
- (b) State the consequences if the withholding tax provision are not complied with. (2 marks)

(Total: 7 marks)

Part B

Ayla acquired a property comprising of land and building for a consideration of RM300,000 and the full sum paid was on 15 September 2017. The transfer process was completed on 12 December 2017. She also incurred these expenditure:

<u>Particulars</u>	<u>RM</u>
Stamp duty on transfer	3,300
Interest for the mortgage	45,692
Enhancement for the building	40,000

Continued ...

In February 2019, Ayla received the followings:

<u>Particulars</u>	<u>RM</u>
Compensation for damages from developer	20,500
Insurance recovery due to the damage	8,200
Deposit forfeited from a potential buyer	13,150

The Sale and Purchase Agreement was dated on 18 November 2020 and Ayla disposed of the land with building for RM650,000. The consideration was paid to her on 1 December 2020.

She incurred the following expenditure in connection with the sale:

<u>Particulars</u>	<u>RM</u>
Valuation fee	10,200
Real estate agent's fee	16,850
Legal fees for defending title	6,300
Cost of advertisement	1,200

Required

- (a) State the acquisition and disposal date of Ayla's property. (2 marks)
- (b) Compute the real property gains tax (RPGT) payable for Ayla for the year of assessment 2020. (11 marks)

(Total: 13 marks)

Continued ...

APPENDIX

The following rates and allowances are to be used in answering all questions:

Rates of Capital & Industrial Buildings Allowances for YA 2020:

Fixed assets/ Rate	Initial Allowance	Annual allowance
Motor vehicles, Heavy machinery	20%	20%
Computers	20%	20%
Plant & Machinery (general)	20%	14%
Office equipment, Furniture & Fittings	20%	10%
Industrial building	10%	3%

Rates of Forest Allowances YA 2020:

Capital expenditure incurred on:	Rate
(a) the construction of roads	10%
(b) the construction of building for extract timber	10%
(c) the construction on a farm of a building for the welfare or living accommodation	20%

Rates of Real Property Gains Tax YA 2020:

Real property	Malaysian Individual (Permanent resident or citizen)	Foreigners	Companies
Disposal within 3 years	30%	30%	30%
Disposal in the 4th years after the acquisition date	20%	30%	20%
Disposal in the 5th years after the acquisition date	15%	30%	15%
Disposal in the 6th years after the acquisition date or thereafter	10%	10%	10%

End of Paper